



## Newsletter January 2013

### Strong Finish of an Eventful Year

The average ILS fund was **up by 1% in December** and **by 5.92% for 2012** as measured by the **Eurekahedge ILS Advisers Index**.

Meanwhile the cat bond market was **up in December by 0.75%** for the Swiss Re Cat Bond **Price Index** and **1.53%** for the **Total Return Index**.

In December the cat bond market continued its recovery from mid-November as the post-Sandy uncertainty was vanishing. As a result, most bonds that had been trading at discounted levels were gradually moving back to their price levels before the hurricane. Another supportive factor for the cat bond market in December were the strong demand for bonds on the secondary market due to strong inflows in ILS funds that met lower than expected new issuance levels in the fourth quarter.



**Stefan K. Kräuchi,**  
ILS Advisers

Total new cat bond issuance for the whole year 2012 reached USD 6.3bn, which is the highest level since 2007. As a result the total bonds outstanding in the market achieved a new record of USD 16.5bn. According to industry sources strong issuance volumes are expected to continue through 2013. A recent survey among market participants showed an average of expected USD 6bn of new issuance. If this number materializes it would lead to a net growth of outstanding cat bonds in 2013 even taking into account the USD 3.5bn bonds that will mature over the course of the year.

28 out of the 29 funds represented in the Eurekahedge ILS Advisers Index reported positive numbers for December, mirroring the developments in the ILS market described above. The lower numbers for some funds reflect on one hand the loss creep from Costa Concordia, due to further delays in the salvage of the wreckage and on the other hand caution with regards to claims from HU Sandy in the absence of final loss numbers.

Despite a difficult beginning into the year with the Costa Concordia marine disaster, the adverse pressure on cat bond prices from mark to market movements in the first half of the year, Hurricane Isaac in August and Hurricane Sandy in October, the year 2012 turned out to be quite a decent year with a fund index performance slightly below the longterm average (for details please refer to the next page).



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### The Eureka hedge ILS Advisers Index

The Eureka hedge ILS Advisers Index tracks the performance of the participating Insurance Linked Investment funds. It is the first benchmark that allows a comparison between different insurance-linked investment funds in the insurance-linked securities, reinsurance and catastrophe bond investment space. The index is calculated and maintained by Eureka hedge. It includes funds that allocate at least 70% of their assets to non-life risk. The index was base weighted at 100 in December 2005. It does not contain duplicate funds and is denominated in local currencies.

Eureka hedge ILS Advisers Index



The Eureka hedge ILS Advisers Index is an equally weighted index of 29 constituent funds<sup>1</sup>. The index is designed to provide a broad measure of the performance of underlying hedge fund managers who exclusively allocate to insurance linked investments. The index was base weighted at 100 in December 2005, does not contain duplicate funds and is denominated in local currencies.

<sup>1</sup> As at 28 January 2013

#### Statistics (as at Dec 2012)

Summary Data		Risk/Return	
Annualised Return (%)	6.99	Sharpe Ratio (x)	2.05
Best Monthly Return (%)	1.66	Annualised Std Deviation (%)	2.43
Worst Monthly Return (%)	-3.94	Downside Deviation (%)	1.69
2011 Return (%)	-0.12	Sortino Ratio (x)	2.96
2012 Return (%)	5.92	Maximum Drawdown (%)	-3.94
Return since Inception(%)	60.49	Percentage of Positive Mths (%)	91.67
Last 3 Months (%)	0.75		
Last 12 Months (%)	5.92		

#### Performance Table

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2012	0.19	0.19	0.32	0.43	0.59	0.57	0.61	0.94	1.19	-0.51	0.27	1.00*	5.92
2011	0.71	0.18	-3.94	0.06	0.22	0.72	0.68	0.13	0.54	0.74	-0.02	-0.04	-0.12
2010	0.91	0.94	0.46	0.49	0.29	0.16	0.51	0.75	1.17	0.91	0.29	0.42	7.54
2009	0.37	0.31	0.28	0.59	0.51	1.33	1.04	1.03	1.58	1.06	0.14	0.52	9.11
2008	0.96	0.77	0.68	0.28	0.46	0.54	0.56	0.59	-0.71	-0.58	0.25	0.06	3.92
2007	1.66	1.64	0.98	0.81	0.75	1.01	1.01	0.98	1.42	1.13	0.97	0.78	13.93
2006	0.69	0.67	1.02	0.77	-0.95	0.15	0.65	0.85	1.39	1.44	0.91	1.26	9.20

\* Based on 100.00% of funds which have reported Dec-2012 returns as at 28-Jan-2013